

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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ADP # 97-39

To: County Alcohol and Drug Program Administrators
Narcotic Treatment Program Providers

Subject: Narcotic Treatment Programs - Audit Bulletin

With the changes to requirements and processes for Narcotic Treatment Programs (NTP) brought about by AB 2071, various aspects of implementation and enforcement may require clarification. The purpose of this letter is to identify the more significant potential audit issues for NTP for Fiscal Year (FY) 1997-98 in order to assist counties/providers in maintaining operating, accounting, and filing systems which will allow for full compliance and greatly reduce the risk of audit findings.

Medi-Cal Rate Exceeding Customary Charge

The principle of reimbursement of the lower of cost or charges has been a major area of concern in the past. Beginning July 1, 1997, the principle continues to be in effect through comparison of the NTP uniform statewide monthly rate to a provider's customary charge to private patients. Any Drug Medi-Cal (D/MC) reimbursement in excess of the customary charge will be subject to audit recoupment. Please Refer to ADP #97-38 for details on this compliance issue.

Inequitable Cost Allocation

If an NTP receives **other federal and state funding for NTP services** to patients in non D/MC slots, Health and Safety Code Sections 11758.46(h) and (I) require an accurate and complete cost report to be filed. This means that such cost report must accurately reflect all cost, revenue, and unit of service data, including D/MC, for the program, as requested in the report form. Although the NTP's D/MC funding is based on a fixed rate which is not subject to adjustment to actual cost, other federal and state funding continue to be on a cost reimbursement basis.

One focus of an audit of a program with various sources of federal and state funding would be to ensure that costs have not been inequitably allocated to funding sources which reimburse for actual costs. If this practice is noted, the audit would reallocate costs on a more equitable basis. This would reduce the cost attributable to the other federal and state funding,

resulting in recoupment of overpayments, subject to the audit appeal process. Again, since D/MC NTP rates are fixed, there will be no adjustment to actual cost for D/MC services. However, cost data may be utilized for future rate development.

Another situation which would necessitate a cost report would exist if an NTP provider offers other treatment modalities (i.e., Outpatient Drug Free, Day Care Habilitative) at the **same location as the certified NTP**. For FY 1997-98, the other modalities, if receiving federal (i.e., D/MC or Substance Abuse Prevention and Treatment Block Grant) and state funding, will be reimbursed for actual cost. Other service modalities offered at **other locations** would normally require their own cost reports but would not require the NTP program to submit a cost report. However, a reasonable and equitable cost allocation plan will be necessary to avoid audit findings, whether or not a cost report is required.

Services Claimed But Not Supported

The Department will review claim documentation during audits and post-service, post-payment utilization reviews. While details of what the utilization review will consist of and precisely what will be subject to recoupment, the audit scope will potentially identify the following types of issues:

- ▶ Elements of required/claimed services are not reflected in the provider's financial records, examples of which are as follows:
 - N Lab costs, which are built into the reimbursement rate and required in the regulations, should be reflected in the provider's financial records. The lack of such inclusion might be indicative that such services were provided by another entity and charged as Medi-Cal fee-for-service (FFS). The audit would seek evidence of such a practice prior to referral to Department of Health Services (DHS). This would constitute an overpayment by the Medi-Cal FFS system.
 - N Counseling costs should correlate with the amount of counseling claimed for a given period. If a review of payroll records were to reflect total counselor hours available were less than the total direct face-to-face counseling claimed, adjusting for group sessions, this could ultimately result in an audit finding and/or a referral for further investigation.
- ▶ Medi-Cal beneficiaries are billed and pay for D/MC covered services. This is contrary to federal regulations and would require return of fees to beneficiaries.
- ▶ Potential findings that would result in recoupment are as follows:
 - N Group counseling services are claimed at the individual counseling rate.

- N Claimed services were not rendered at a certified location.
- N Services were not documented at the level claimed.
- N Services were claimed for ineligible group sessions of less than four or more than ten patients.

The existence of any of the above conditions, if found to have occurred to a substantial degree or in some specific pattern which may indicate intent, could result in a referral to DHS or the Department of Justice, Bureau of Medi-Cal Fraud.

This is not a complete list of issues which could result in disallowances or recoupment. Other reasons for such recoupments are contained in the proposed Title 22 regulations, which now incorporate previous Utilization Control Plan requirements. The Program Accountability Branch (PAB) staff will focus on compliance with those requirements. Audits and PAB activities will be coordinated to avoid duplication and may be combined for NTPs which are exclusively D/MC funded and provide no other service modalities at the same site.

We hope this information will be helpful to you in your efforts to comply with funding source requirements. If you have further questions on these or other compliance issues, please contact Gary Bellamy, Manager, Audit Services Branch, at (916) 322-4834 or FAX your questions to his attention at (916) 323-5873.

Sincerely,

Desirée Wilson, Deputy Director
Division of Administration

cc: Wagerman Associates, Inc.
Director's Advisory Council